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August 12, 2008

Gary K. Van Meter
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

(Sent via email to: reg-comm@fca.gov)

RE: Mission-Related and Rural Community Investments

Dear Mr. Van Meter,

U.S. agriculture relies on a vibrant rural economy. In order to thrive, America's rural communities need better and more reliable access to the capital that will support new investments in the community facilities and infrastructure improvements necessary for their success.

Agriculture depends on rural communities to support the related businesses and markets critical to their farming success but also to provide off-farm employment critical for the economic success of many farm families. Unfortunately, rural communities often lag behind metropolitan areas in essential infrastructure, services and facilities, in areas such as transportation, health care, education and others that would drive employment and economic opportunities to rural areas.

The Farm Credit Administration's proposed rule to enable Farm Credit ("System") institutions to make mission-related investments ("MRI")in rural communities is a step in the right direction to address this urgent need. This proposal allows those closest to rural areas, the farmer and cooperative owners of System institutions, to support their communities by making critically needed investments in the future of those rural communities. <u>We support what this proposed rule is striving to accomplish and urge the Farm Credit Administration to move it forward in the regulatory development process, with the modifications described below.</u>

While some System institutions have developed MRI programs over the last several years, this has provided little time to measure the performance, and ultimate risk, of these endeavors. With this in mind, we question whether the proposed "15% single obligor" limit and the "150% of surplus" limit adequately minimize ultimate risk to the institution and to the System as a whole. Further, some institutions have originated significant investments well outside their chartered territories, raising questions as to their commitment and prioritization of resources to serve local agriculture.

With these concerns in mind, we offer the following enhancements to the proposed regulation in order to: a) insure that System institutions continue serving agricultural operations within their chartered territories as their first priority, and b) safeguard the financial integrity and performance of the System:

1) Final MRI regulations should include provisions similar to the current territorial approval requirements that govern loan originations. Present MRI authorities have allowed System institutions to circumvent territorial approval requirements and lead significant financing initiatives well beyond their chartered territories. While in some situations the involvement of Associations with more fully developed MRI expertise is entirely appropriate (and would likely be welcomed by local Associations), such financing should be done with the approval of, and in collaboration with, the local Association. Such provisions would add safety and soundness to these investments, since local Associations should be better able to assess risk, management, demographics, etc. than those from outside the area. Additionally, Associations should always be in a better position to ascertain the rural investment needs of their local service areas than any one else.

2) To insure that Associations remain fully committed to serving local agriculture within their chartered territories as their first priority, authority to originate and participate in MRI's outside their chartered territories beyond a nominal aggregate amount (for example 10% of capital) should be limited to those Associations which have already attained a significant market share of agricultural financing within their chartered territories.

3) MRI opportunities will likely be outside of the normal course of business and expertise for many System institutions, thus potentially increasing risk. Therefore, authority to make and hold such investments beyond a nominal aggregate amount (for example 20% of capital), should be reserved for those Associations having lower than average risk profiles, possibly measured by permanent capital ratio, liquidity ratio, and/or CAMEL rating. Reserving higher authorities for Associations with better risk profiles will provide more opportunities to measure the performance and ultimate risk of these investments while insuring the ability to continue serving local agriculture and minimizing the overall risk these investments may pose to the institution and to the entire System.

Thank you for the opportunity to comment on these proposed regulations and for your consideration and concern for rural America.

Sincerely,

Greg B. Farmer

Greg B. Farmer

President